

Message Text

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FM SECSTATE WASHDC
TO AMEMBASSY BELGRADE
INFO USMISSION GENEVA
USMISSION OECD PARIS
AMCONSUL ZAGREB

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E.O. 11652: N/A

TAGS: ETRD, GATT, YO

SUBJECT: YUGOSLAV IMPORT SURCHARGES

REF: A) BELGRADE 108, B) 1976 GENEVA 9580
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1. REFTEL A REPORTS THAT THE YUGOSLAV GOVERNMENT HAS
RAISED THE EQUALIZATION TAX FROM 5 TO 6 PERCENT AND
HAS EXTENDED THE 10 PERCENT SURCHARGE FOR AN ADDITIONAL
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YEAR. DURING THE NOVMEBER GATT ARTICLE XVIII CONSULTA-
TIONS ON YUGOSLAVIA'S TRADE RESTRICTIONS, THE IMF
REPRESENTATIVE STATED THAT, "IN VIEW OF THE STRONG
RECOVERY OF THE YUGOSLAV BALANCE OF PAYMENTS AND
THE LIKELIHOOD OF SUSTAINED DEMAND FOR YUGOSLAV
EXPORTS, THE FUND BELIEVES THAT THE PROGRAM OF IMPORT
LIBERALIZATION, INTERRUPTED IN MID-1974, SHOULD BE

RESUMED." IN ITS CONCLUSION, THE GATT BALANCE OF PAYMENTS COMMITTEE AGREED WITH THE IMF'S VIEWS AND INVITED YUGOSLAVIA TO "CONSIDER AT THE EARLIEST APPROPRIATE TIME THE RELAXATION AND THE EVENTUAL REMOVAL OF THE IMPORT SURCHARGE." (IN THIS REGARD, WE NOTE THAT THE GOVERNOR OF THE BANK OF YUGOSLAVIA, COLANOVIC, HAD ASSURED HIS AMERICAN AUDIENCE IN DECEMBER THAT THE GOY WOULD SOON BE LIBERALIZING ITS IMPORT REGIME.)

2. WE REQUEST THAT THE EMBASSY ASK YUGOSLAV TRADE OFFICIALS ABOUT THEIR RATIONALE FOR INCREASING THE EQUALIZATION TAX AND FOR EXTENDING THE 10 PERCENT SURCHARGE, AND ABOUT HOW THEY WILL HANDLE IT IN THE GATT. THE EMBASSY SHOULD RECALL THE IMF AND BOP COMMITTEE CONCLUSIONS IN NOVEMBER AND SHOULD REITERATE THE POSITION THE U.S. TOOK AT GENEVA THAT YUGOSLAVIA SHOULD BEGIN TO PHASE OUT ITS TRADE RESTRICTIONS SINCE THE COUNTRY HAS SUBSTANTIAL RESERVES. IN DOING SO, THE EMBASSY SHOULD NOTE THAT YUGOSLAVIA'S RESTRICTIONS SEEM TO HAVE HAD AN ADVERSE EFFECT ON US EXPORTS. US EXPORTS TO YUGOSLAVIA (ON AN FAS BASIS) DURING THE FIRST TEN MONTHS OF 1976 DECLINED TO \$226.1 MILLION FROM \$283 MILLION DURING THE SAME PERIOD IN 1975. IMPORTS FROM YUGOSLAVIA FOR THE FIRST TEN MONTHS OF 1976 WERE 330.3 MILLION DOLLARS. IMPORTS FROM YUGOSLAVIA FOR THE ENTIRE YEAR OF 1975 WERE 259.6 MILLION DOLLARS.

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